10th Annual Report

Manitoba Data Services

1985

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Manitoba Data Services

10th ANNUAL REPORT

For the year ended March 31, 1985

Manitoba Data Services
10th FLOOR 215 GARRY STREET, WINNIPEG, MANITOBA R3C 3P3 PHONE (204) 956-0760

The Honourable J. T. Storie
Minister Responsible for
Manitoba Data Services
Legislative Building
Winnipeg, Manitoba

Dear Sir

In accordance with the Manitoba Data Services Act, I am pleased to present the Annual Report for Manitoba Data Services for the year ended March 31, 1985.

Yours truly

R. M. Silver
Chairperson
Manitoba Data Services

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Highlights

OPERATIONAL

- Service Rates reduced 12.5%
- Installation of 3084-QX central processing unit
- Real growth in service provided exceeded 13%
- Admissions/Discharges/Transfers system installed by Seven Oaks General Hospital
- Disaster recovery site established
- Application Development Agreement plan announced.

FINANCIAL

• Total revenues	$18,811,000
• Total expenditures	$16,948,000
• Net income	$ 1,863,000
• Pension Plan fully funded	$ 3,098,000

Outlook

- Further expansion of computing capacity
- Installation of Admissions/Discharges/Transfers system at Victoria General Hospital

Report of the President and General Manager

With 1984/85 income of $1,863,000, Manitoba Data Services realized its most successful year financially since its formation. This favourable result was achieved in conjunction with a 12.5% rate reduction introduced at the start of the fiscal year. The Commission's strong financial performance was a result of two key elements: the continued growth in client utilization of the services being provided and the realization of opportunities for significant reductions in operating expenses as a result of technological change and operating efficiencies introduced during the year.

Since its establishment as a provincial crown corporation in 1979, Manitoba Data Services' revenues have grown from $11.5 million to $18.8 million. This represents a 64% growth. This growth rate does not reflect rate decreases introduced during this period which have exceeded 25%. As a result the growth of the Commission, in terms of client service demand, has actually doubled over this period of time.

As a result of the Commission's strong financial performance in 1984/85 and the expectation that this will continue in future years, a further rate reduction of 12% was announced in January effective April 1, 1985. This rate reduction, coupled with those previously introduced, means that clients are realizing very significant operating economies in the processing of their computer applications.

1985's growth in client service demand over that of the previous year was 13%. To support this increase in workload the two previously installed IBM 3081 computers were replaced with a single IBM 3084 QX computer system in August 1984. In addition to the needed increase in computing capacity which this equipment provided, an improvement in operating costs of $600,000 for the fiscal year was realized. This resulted from the lower lease costs on the new computer and the capability to eliminate duplicate software licencing fees which were required in the previous multiple central processor environment.

In December 1984, in line with the Commission's operating strategy to maintain the most advanced level of service support, Manitoba Data Services implemented the latest version of the central processor operating system MVS/XA. In addition to providing major service enhancements for clients this new operating system yielded significant operating efficiencies for the Commission.

An important milestone in 1984/85 was the successful implementation of a comprehensive Disaster Recovery program to provide assurance that computer applications critical to client business operations will be minimally disrupted in the event of a disaster to Manitoba Data Services' Norquay facility. This was provided through an agreement with Sungard of Chicago, Illinois for the provision of a backup service site which replicates the central site facilities of the Commission. On February 15, 1985 Manitoba Data Services demonstrated its capability to re-institute service when its operating system was installed in Chicago and accessed from the Winnipeg offices. Work is proceeding with the Manitoba Telephone System to trial one of their critical systems in a simulated disaster mode in mid 1985. It is expected that all critical computer applications of the Manitoba Public Sector processed at Manitoba Data Services will eventually be demonstrated to be fully protected under this program.

To further strengthen Manitoba Data Services' internal security and privacy provisions the full time position of Security Coordinator was established. In addition to the auditing of the Commission's own

practices, the Coordinator provides consultative support to clients in data security and privacy considerations.

In response to client recommendations, Manitoba Data Services revamped its computer service billing practices through a new system introduced in November 1984. Clients actively participated in the definition and design of the new system with the objective to reduce the complexity and ambiguity inherent in the previous system. A further objective of this analysis was to incorporate procedures which offer a greater opportunity for clients to more effectively manage their computer service usage. A final phase of the updated billing practices will be instituted in 1985 when a new data storage component is planned to be implemented.

Manitoba Data Services has continued to successfully pursue opportunities for provision of computer services to the Health Care Sector. In April 1985, Seven Oaks General Hospital implemented an admissions, discharges and transfers system based on the Patient Management System offering of Manitoba Data Services. A second Manitoba hospital will be serviced by the Commission in a planned implementation for September 1985.

A major deterrent to the greater use of computer services has often been due to the cost of the development phase for new applications. During 1984/85 the Commission introduced several initiatives to facilitate computerization opportunities for clients. The first of these was the acquisition of application development products which could be calculated to improve the productivity of client staff in the creation of new computer programs and therefore reduce the previous high costs and lengthy duration of this effort. Two products which provide productivity gains to both computer professionals as well as to end-users have now been made available. These products, TELON and FOCUS, have been demonstrated to yield productivity improvement as great as 10:1. The second of these initiatives to encourage development of new computer applications was the announcement of the Application Development Agreement plan in November, 1984. Under this program, in return for long term production revenue agreements, clients are relieved of the cost of computer processing services for the development phase. Since this plan was introduced, contracts for the development of new computer applications have been signed which assure future new revenues in excess of $300,000 per month.

During the year a number of changes were announced in the membership on the Manitoba Data Services Board of Commissioners. Mr. Robert Silver, Deputy Minister of Crown Investments, was appointed to the Board and assumed the chairmanship succeeding Mr. Gordon MacLean. Also appointed to the Board of Commissioners were Ms. Donna Mark and Mr. Bruce Peresky, both of whom serve in the capacity of worker representatives. The management acknowledges the continuing strong support and assistance which the Board of Commissioners has provided.

The Commission has also continued to enjoy the support and advice provided by its clients. Manitoba Data Services is dedicated to the provision of effective, high quality computer services to meet the business needs of the Manitoba Public Sector.

The continuing efforts of Manitoba Data Services' staff have been key to the success of the Commission since its formation. Human resources are an essential ingredient to the viability of any enterprise and are the fundamental strength of Manitoba Data Services.

C. J. Chalmers

Manitoba Data Services Board of Commissioners 1984-1985

+ Member of the Audit Committee
* Member of the Equipment Procurement Committee

Chairperson
ROBERT M. SILVER
Deputy Minister, Crown Investments

S. GLOVER ANDERSON
Assistant General Manager,
Manitoba Telephone System

MICHAEL S. DOYLE*
Professor of Computer Science,
University of Manitoba

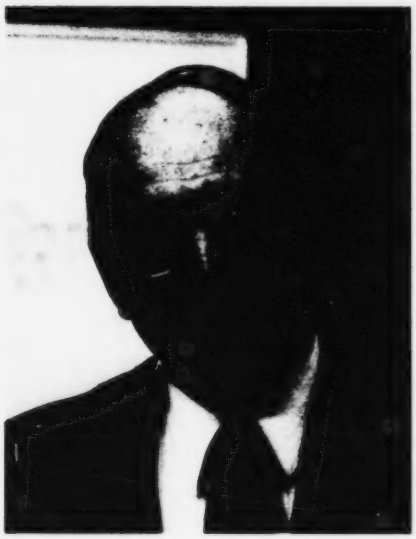
R. MURRAY FRASER+
Executive Vice President,
Corporate Services, Manitoba Hydro

KENNETH E. EDSTROM*+
Vice President, Finance,
Cargill Limited

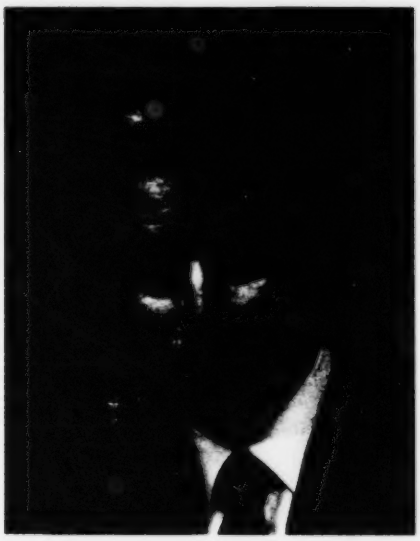
DONNA L. MARK
Computer Operator II
Manitoba Data Services

BRUCE PERESKY
Computer Operator II
Manitoba Data Services

Manitoba Data Services Executive Officers

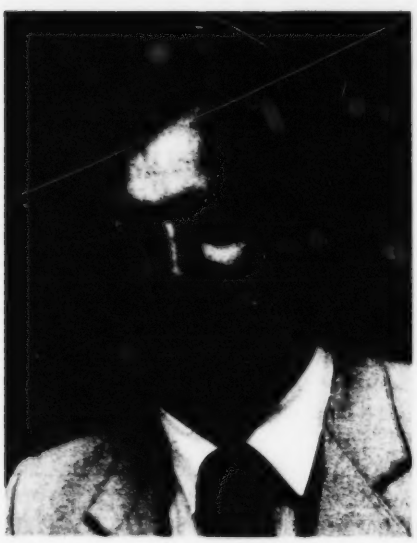


C. J. CHALMERS
President and General Manager



W. G. EAMER
Vice-President, Corporate Services

J. JONES
Vice-President, Client Support Services



N. H. SHAKESPEARE
Vice-President, Operations Support Services

MANITOBA DATA SERVICES

Statement of Financial Position

ASSETS

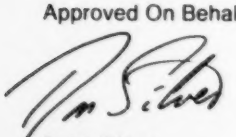
At March 31 in thousands of dollars	1985	1984
CURRENT ASSETS		
Cash	**$ 244**	$ 744
Accounts receivable (Note 3)	**4 295**	7 676
Investment with the Minister of Finance, Province of Manitoba	**3 600**	800
Prepaid expenses	**62**	63
	8 201	9 283
FIXED ASSETS		
Computer equipment (Note 4)	**5 941**	9 579
Furniture and fixtures	**599**	466
Leasehold improvements	**278**	234
	6 818	10 279
Less accumulated depreciation	**4 492**	4 300
	2 326	5 979
OTHER ASSETS		
Proprietary software	**1 170**	806
Deferred charges	**17**	608
	1 187	1 414
Less accumulated amortization	**663**	984
	524	430
	$11 051	$15 692

LIABILITIES AND RETAINED EARNINGS

At March 31 in thousands of dollars	1985	1984
CURRENT LIABILITIES		
Accounts payable (Note 3)	**$ 562**	$ 4 382
Principal due within one year on advance from Province of Manitoba	**1 356**	1 027
	1 918	5 409
LONG-TERM LIABILITIES		
Advance from Province of Manitoba (Note 5)	**5 095**	8 717
Deferred employee compensation (Notes 6 and 8)	**3 407**	2 798
	8 502	11 515
RETAINED EARNINGS (DEFICIT)	**631**	(1 232)
	$11 051	$15 692

The accompanying notes are an integral part of these statements.

Approved On Behalf Of The Board



R. M. Silver
Chairman

R. M. Fraser
Member

MANITOBA DATA SERVICES

Statement of Operations

Year ended March 31 in thousands of dollars	1985	1984
REVENUES		
Data processing services	**$17 916**	$17 588
Program maintenance	**122**	119
Miscellaneous	**773**	685
	18 811	18 392
EXPENSES		
Salaries and administration	**8 165**	7 294
Computer equipment and software, rental and maintenance	**5 211**	4 808
Depreciation and amortization	**2 002**	3 136
Pension (Notes 6 and 8)	**565**	479
Interest, net		
— Province of Manitoba (Note 5)	**420**	910
— Other	**(39)**	(19)
Loss on sale of equipment	**624**	592
	16 948	17 200
NET EARNINGS	**$ 1 863**	$ 1 192

Statement of Retained Earnings

Year ended March 31 in thousands of dollars	1985	1984
RETAINED EARNINGS (DEFICIT) BEGINNING OF YEAR		
Originally reported	**$ 1 301**	$ (370)
Adjustment of pension costs (Note 8)	**(2 533)**	(2 054)
Restated	**(1 232)**	(2 424)
NET EARNINGS	**1 863**	1 192
RETAINED EARNINGS (DEFICIT) — END OF YEAR	**$ 631**	$ (1 232)

Statement of Changes in Financial Position

Year ended March 31 in thousands of dollars	1985	1984
SOURCES OF WORKING CAPITAL		
Operations including charges not involving an outlay of funds	**$ 5 102**	$5 449
Sale of computer equipment	**5 836**	398
	10 938	5 847
USES OF WORKING CAPITAL		
Computer equipment and proprietary software	**4 724**	6 354
Furniture, fixtures and leasehold improvements	**183**	127
Long-term lease cancellation	**—**	(543)
Advance from Province of Manitoba	**3 622**	1 027
	8 529	6 965
INCREASE (DECREASE) IN WORKING CAPITAL	**2 409**	(1 118)
WORKING CAPITAL — BEGINNING OF YEAR	**3 874**	4 992
WORKING CAPITAL — END OF YEAR	**$ 6 283**	$ 3 874

The accompanying notes are an integral part of these statements

Notes to Financial Statements — March 31, 1985

1. ORGANIZATION

Manitoba Data Services is a Commission established by a special Act of the Manitoba Legislature June 15, 1979 to provide electronic data processing services to the Government and government agencies.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles.

b. Revenue Recognition

Revenue is recorded as services are provided.

c. Depreciation and Amortization

Depreciation and amortization are calculated on original cost using the straight-line method based on the estimated useful lives of the assets:

	YEARS
Computer equipment	3 to 4
Furniture and fixtures	5 to 10
Leasehold improvements and Proprietary software	3 to 5

d. Pension Plan

Employees of the Commission are participants in the Manitoba Civil Service Superannuation Fund. Pension costs are charged to income in the current year. Actuarial gains and losses as determined by a triennial actuarial review are amortized over a three-year period.

e. Deferred Charges

Deferred charges are comprised principally of costs incurred in integrating the data processing of new clients and are amortized on a straight-line basis over a five-year period.

3. PROCUREMENT

Manitoba Data Services acts as procuring agent for data processing equipment for the Manitoba Government. Included in accounts receivable is $188 000 (1984: $3 736 000) and in accounts payable $20 000 (1984: $3 733 000) related to these procurements. The decrease in year-end balances is due to a policy of direct billing which was implemented toward year-end whereby funds are no longer directed through Manitoba Data Services. Also included in accounts receivable is $512 000 (1984: $501 000) in respect of computer equipment sold to clients on extended terms of which $184 000 is due in fiscal 1986 and $328 000 in fiscal 1987 and subsequent years.

4. LEASES

In August, 1984 Manitoba Data Services entered into a five-year lease agreement with IBM Canada Ltd. for a 3084-QX processor which is not required to be capitalized and is terminable without penalty at the end of any fiscal year. The two former processors (leased 3081-D and owned 3081-G) were disposed of for total net proceeds of $2 266 000 (Note 5).

Future minimum annual lease payments for the IBM 3084-QX processor and office space are as follows:

1986	$3 299 000
1987	3 299 000
1988	3 299 000
1989	2 959 000
1990	1 351 000

5. ADVANCE FROM THE PROVINCE OF MANITOBA

Principal and interest at 10% repayable $2 001 629 per annum through 1990.

	1985	1984
Opening balance	$8 717 000	$9 744 000
Application of net proceeds from disposal of computer equipment (Note 4)	2 266 000	—
Principal due within one year	1 356 000	1 027 000
	$5 095 000	$8 717 000
Interest expense	$ 879 000	$1 123 000
Less income earned on deposits with Minister of Finance	459 000	213 000
	$ 420 000	$ 910 000

6. DEFERRED EMPLOYEE COMPENSATION

a. Pension

All employees of the Commission are required to contribute to the Manitoba Civil Service Superannuation Fund at prescribed rates for defined benefits. The December 31, 1983 triennial actuarial report showed the Fund to be in a sound surplus position.

The Commission is required to reimburse the Superannuation Fund for 50% of all payments made to retired employees. The actuarial present value of this obligation determined in accordance with a formula contained in the triennial actuarial report, including provision for increases in pensions due to increases in the cost of living, is $3 098 000 at March 31, 1985 (March 31, 1984: $2 533 000).

A portion of the funds on deposit with the Minister of Finance has been designated by the Commission in an amount sufficient to fully fund the actuarially-determined future liability.

b. Sick Leave Vesting

A portion of each employee's unused annual sick leave allowance is vested payable on termination of employment. The vested amount as at March 31, 1985 is $309 000 (1984: $265 000).

7. RELATED-PARTY TRANSACTIONS

Substantially all revenue earned by Manitoba Data Services and related accounts receivable are from departments of the Manitoba Government, its crown corporations and agencies.

8. ACCOUNTING POLICY CHANGE

In 1985 the Commission changed its accounting policy for pension costs from a cash basis to one whereby charges to income are based upon actuarial funding requirements. The balance of retained earnings at April 1, 1984 has been adjusted by $2 533 000, representing the accrued actuarial liability as at that date. Of the $2 533 000, $479 000 is applicable to 1984 and has been charged to income for that year. The remainder of $2 054 000 is applicable to years prior to April 1, 1983 and the balance of retained earnings at that date has been adjusted accordingly. This change reduced the net income for the current year by $565 000.

9. COMPARATIVE FIGURES

Certain of the 1984 figures have been restated consistent with the 1985 presentation.

Manitoba

MANITOBA DATA SERVICES
REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the statement of financial position of Manitoba Data Services as at March 31, 1985 and the statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

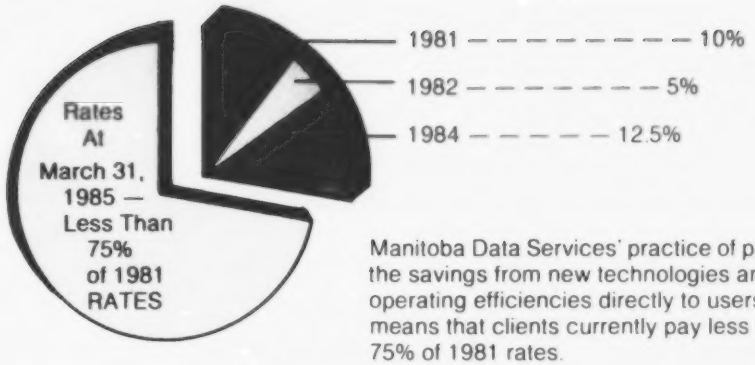
In our opinion, these financial statements present fairly the financial position of Manitoba Data Services as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for pension costs as explained in note 8, on a basis consistent with that of the preceding year.

F. H. Jackson, C.A.
Provincial Auditor

January 7, 1986,
Winnipeg, Manitoba

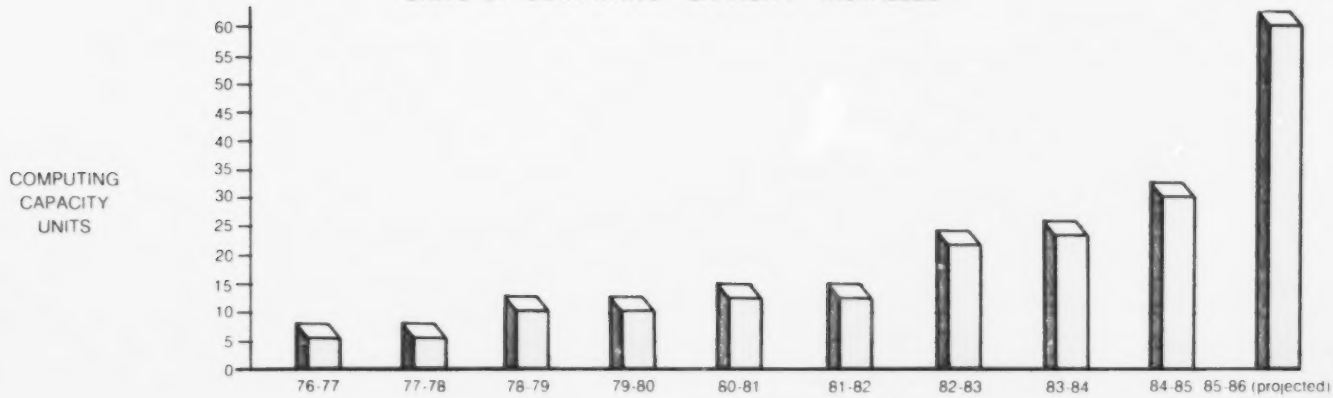
RATE REDUCTIONS

Beginning with a 10% reduction in December, 1981, rates were next reduced by 5% in April, 1982, and by a further 12.5% in March, 1984.



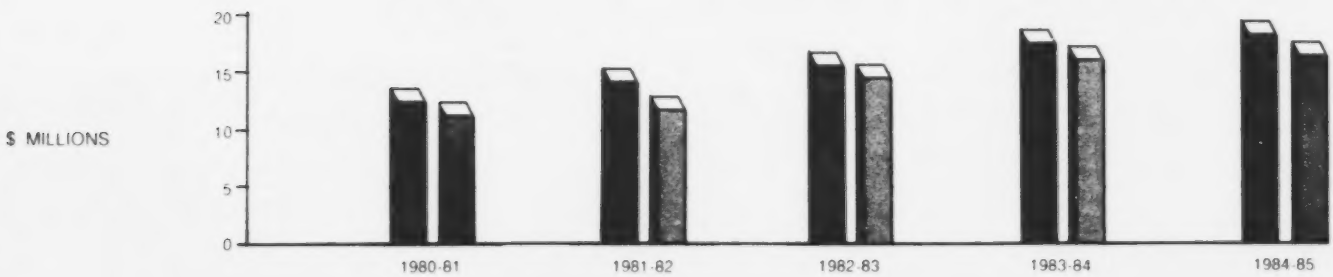
Manitoba Data Services' practice of passing the savings from new technologies and operating efficiencies directly to users means that clients currently pay less than 75% of 1981 rates.

UNITS OF COMPUTING CAPACITY INSTALLED

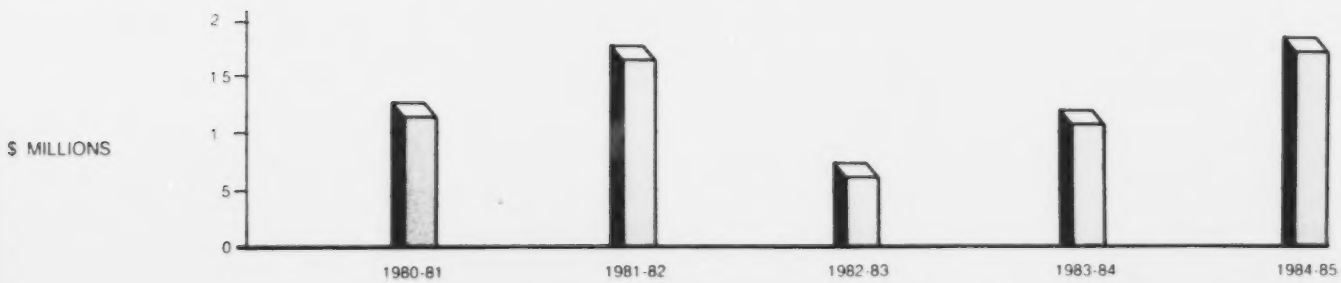


UNIT EQUIVALENCY IBM 370 158 MODEL 3 = 1

REVENUE ■ EXPENDITURE ▨



NET EARNINGS



Manitoba Data Services in Review — 1984-1985

On April 1, 1984 Manitoba Data Services began its tenth year of providing computer and data processing services to meet the business information processing requirements of the public sector of Manitoba.

In the first month of the fiscal year, MDS announced the availability of two new products — EZ/Key and SAS/FSP. EZ/Key is a development aid for PRO/grammar, which is an information retrieval and application development system and was announced during the previous fiscal year. Both technical and non-technical users of PRO/grammar can use EZ/Key. The full-screen capabilities of EZ/Key provide time saving for the development and maintenance of PRO/grammar code, and the menu-oriented panels contribute to the ease of use of EZ/Key. The product also facilitates access to IMS, partitioned data sets, and sequential files. EZ/Key is provided as an MDS Information Centre product running under TSO/E.

DEPARTMENT OF EDUCATION

SAS/FSP provides time savings for data input, editing, and retrieval routines. Its menu-driven facilities make it easy to use. SAS/FSP contains a number of predefined procedures for handling specific functions. These include data entry, edit and retrieval functions, personalizing and sending correspondence, and data-viewing by multiple users. SAS/FSP is also offered through the Information Centre.

The installation in August 1984 of the 3084-QX central processing unit, which replaced two 3081 units, represented a major step forward in providing increased computing capability for our clients. Significant increases in CPU cycles, input/output capability, and real memory were realized as a result.

MANITOBA HYDRO

Later in the year, a major enhancement was made to our operating system with the installation of Multiple Virtual Storage/Extended Architecture (MVS/XA). The new operating system was installed to meet the needs of clients for service for large complex online systems and to support a province-wide communications network of nearly 2,000 terminals. MVS/XA functions as a manager of the resources of the computer — memory, CPU, and input/output facilities — and provides controlled access to them. MVS/XA schedules the use of those resources to provide the most effective response to client needs for them at all times.

A new generation of computing products was introduced into our product line with the announcements of FOCUS and TELON. These two fourth generation products function as productivity improvement tools for use by both data processing specialists and non-technical end-users. Both FOCUS and TELON are used by clients to shorten development times for new computer applications. Clients have reported reductions in development times of up to 90 percent with TELON. Client DP Managers have evaluated FOCUS-developed applications as being twenty times easier to maintain than those developed using traditional programming languages.

MANITOBA HYDRO

In November, MDS began a new information service for clients with the publication of a Product Reference List. The list provides a

DEPARTMENT OF EDUCATION

In the area of education, MDS continued to participate in the University of Manitoba Computer Science Cooperative Option Program by providing work opportunities for students enrolled in the four year course leading to the degree of Bachelor of Computer Science (Honours). Also through its Training and Development section, MDS continued to provide a comprehensive program of classroom, computer based, and self-study courses to clients and MDS staff.

quick reference of products available at MDS. The products are divided into three major categories — fully supported products, limited use products, and products under evaluation. For each product the list provides a description, release level, the name of the MDS product support person and the availability of MDS education, demonstrations, and workshops. The list is updated quarterly and published in the MDS Newsletter distributed to all clients.

VICTORIA GENERAL HOSPITAL

MDS RETIREES, NORMA FELLER AND NORAH MACKEN

The commission remains dedicated to providing direction in all areas of business systems automation through product research and evaluation, maintenance of the highest quality computing systems, client and staff education, and to responding to the needs of our clients in those areas within the Manitoba public sector.